Alberta Government

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GAS ROYALTY OPERATIONS
INFORMATION BULLETIN
June 2014

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

A. ANNOUNCEMENTS

2014 Capital Cost, Operating Cost and Custom Processing Fee Allowances

For the January through March 2014 billing period invoices, royalty clients received estimated monthly cost deductions that were based on actual allowable costs for the 2012 production year, multiplied by their estimated Facility Effective Royalty Rates (FERR), divided by 12 (months). The information in the 2013 AC2, AC3, and AC5 documents was used to calculate the 2013 actual capital cost, operating cost and custom processing fee allowances. The calculations are reflected in the April 2014 Initial Annual Billing Period (IABP) invoice, issued in June 2014. The 2013 actual allowable costs will become the royalty client's 2014 allowable cost estimates.

Commencing with the April 2014 billing period, royalty clients will receive monthly deductions based on their 2014 allowable cost estimates, multiplied by their new FERR, minus the total deductions received in the January through March 2014 billing period invoices, divided by the number of months remaining in the year (e.g. 9 months as of the April billing period). If a cost estimate is manually processed in the January, February, March or April 2014 production months, the system does not replace it with a new cost estimate in the April Initial Annual Billing Period (IABP) invoice.

If a royalty client requires a change to the 2014 go-forward allowable cost estimates and/or the FERR, a written request with supporting documentation must be submitted to the Gas Royalty Volumetric and Cost Reporting team (see Chapter VI, Section 1 of the Guidelines). These estimates must be calculated and submitted at a client/facility level.

B. MONTHLY INFORMATION

Pricing for Gas and Gas Products

For Pricing of gas and gas products and transportation Information for April 2014 refer to the Information Letter.

The monthly default sulphur price for April 2014 is $111.40. Below are the annual sulphur default prices:

2010	2011	2012	2013
$44.69	$116.36	$98.02	$53.60

April 2014 Royalty Due July 31

Royalty clients are to remit the total amount payable shown on the July 2014 Statement of Account by July 31, 2014. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided. Current period interest will not be charged on current invoice charges for the production month of March if it is paid in full by July 31, 2014.

The July 2014 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your April 2014 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

Note: If the due date falls on a non-business day, the next business day will apply as the due date *except for the month of April due to the Government of Alberta's fiscal year end.* In this situation, the due date will apply previous to the non-business day as the due date.

Cheques are made payable to the Government of Alberta.

May 2014 VA4 due July 15

The VA4 forms for the production month of May 2014 are due in the department offices by July 15, 2014.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Petrinex Deadline Submissions

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the Petrinex website "Reporting Calendars" under Calendars. ***Changes to this calendar will be posted on the Petrinex website home page in "Broadcast Messages."***

Interest Rate June 2014

Alberta Energy's interest rate for June is 4.00%.

March Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the March 2014 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments (Net)	Net Provisional Assessment
$949,015.63	($1,193,608.50)	($244,592.87)

March Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the February 2014 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2014/02
AC2	$86,900	($41,400)	$45,500
AC4	$0	$0	$0
AC5	$2,400	$0	$2,400
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$0	$0	$0
VA4	$0	$0	$0
Total	**$89,300**	**($41,400)**	**$47,900**

Production Allocation Discrepancy (PAD) Potential Royalty Impact

As of the March 2014 billing period, the potential royalty dollar impact is estimated as $4.3 million, distributed as follows by production year:

2013	2014
$1.2 million	$3.1 million

Note: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via Petrinex on June 1, and June 16, 2014. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

NGDDP Confidential Wells

Wells designated as "confidential" will be reviewed prior to the removal of the "confidential" status, if the directional surveys and completion reports are provided to the department. Send directional surveys and completion reports to GasRoyaltyPrograms@gov.ab.ca

If you have any questions, please contact Lily Hiew in Gas Royalty Features at 780-427-1550.

C. INFRASTRUCTURE DATA

Business Associate ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, and includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca if you have any questions regarding the information supplied in this article.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate

IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client status changes, names, or IDs, please contact Client Registry/Crown Land Data at 780-422-1395 or CrownLandDataSupport@gov.ab.ca.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

D. REMINDERS

Annual CPAF Reporting Reminders

The 2009 audit of CPAF reported on the AC2 for capital and operating costs has found numerous instances where either the CPAF has been incorrectly reported or where operators have failed to file complete CPAF information for both capital and operating costs.

For 2010, FCC operators are requested to review the CPAF information that they have filed and amend any AC2s where the CPAF reporting is incorrect. Planned audit work for 2010 will include a detailed examination of CPAF reporting to ensure that identification of custom users is complete and accurate.

The Alberta Natural Gas Royalty Guidelines state in Chapter VI, Section 3.3.2, "To accurately calculate the CPAF, FCC owners must inform FCC operators of all custom processing arrangements. An owner who fails to comply with this requirement may be subject to an audit assessment. The audit assessment does not impact the capital cost allowance of other owners in the FCC."

(Note: the same statement can be found in section 3.4.2 for operating costs.)

If you have questions or concerns related to the filing of CPAF information please contact Kris Pretty, Audit Manager Compliance and Assurance at 403-297-8785 or Kris.Pretty@gov.ab.ca.

If you determine that it is necessary to amend your AC2 filings please notify the CPAF Auditor, Tara Carroll at Tara.Carroll@gov.ab.ca.

Royalty Deposit Adjustment

The annual royalty deposit adjustment is calculated as 1/6th of the client's previous year's royalty multiplied by a factor. The factor of 1.33 is calculated by dividing the current year's long term gas price for 2014 of 3.75 by the average 2013 Alberta Reference Price of 2.83.

The adjustment was processed in the Initial Annual Billing Period (IABP), June 2014 calendar month (April 2014 billing period invoice).

If you have any questions, please contact Melanie Al Ramahi at 780-643-0964.

Annual Operating Cost Adjustments for 2008 Production Year

Royalty clients may have a charge type on their February 2014 invoice titled "Annual Operating Cost Adjustment". For the production year 2008, this adjustment represents a change in the Crown share of operating costs due to the annual recalculation of unit operating cost rates (UOCR). Two reports titled Annual Operating Cost Adjustment Details and Annual Operating Cost Adjustment Summary are included with the February invoice issued in April. The prior year's actual rates from this year's UOCR calculation process are

published and can be viewed at the **Unit Operating Cost Rates** link on the Royalty Related Information page on the department website.

Effective with the 2009 production year, operating costs have been distributed to owners of each facility in a similar manner as capital costs and custom processing fees. This new method of distribution does not require an estimated or actual UOCR and there is no subsequent need to recapture operating costs from non-owners at the end of a year.

For additional information, please refer to the March 2004 Supplement Information Bulletin 04-03A as well as the Changes to Gas Cost Allowance link on the department website. If you require further information, please contact Volumetric & Cost Reporting.

Update on Business Structure Changes – Volumetric & Cost Reporting

Volumetric and Cost Reporting (V&CR) business structure has changed from the Business Associate client portfolio system to a task-specific team system. V&CR is now composed of the following four teams and respective team leads:

1. Volumetrics — Nicole Le Blanc
2. Costs — Joyce Chen
3. Process Support — Penny White
4. Special Projects — Oana Jurgea

All teams can be contacted via email at VCR@gov.ab.ca or by phone at 780-422-8727.

E. BUSINESS CONTACTS

Quick Reference

Group	Email
Petrinex Service Desk	Petrinexsupport@Petrinex.ca
Client Registry / Crown Land Data	CrownLandDataSupport@gov.ab.ca
Volumetric & Cost Reporting	VCR@gov.ab.ca
Management Information	ManagementInformation.Energy@gov.ab.ca
Gas Royalty Accounting	GasRoyaltyAccounts.Energy@gov.ab.ca
Gas Royalty Features	GasRoyaltyPrograms@gov.ab.ca

Petrinex Service Desk

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Service Desk, or Petrinex Support.

Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: Petrinexsupport@Petrinex.ca
Website: www.Petrinex.ca

Volumetric & Cost Reporting

Volumetric & Cost Reporting (V&CR) is the Front Line of contact for inquiries relating to volumetric and cost reporting as well as gas royalty calculation processes. V&CR is made up of four teams as shown below:

Team	Team Lead
Volumetrics	Nicole Le Blanc
Costs	Joyce Chen
Process Support	Penny White
Special Projects	Oana Jurgea

Gas Royalty Voicemail: 780-422-8727
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000
Gas Royalty Email: VCR@gov.ab.ca

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

Management Information

All inquiries or requests that relate to royalty information (e.g. Information Letter, Information Bulletin and other Department of Energy's Natural Gas website publications) and questions related to Commercial Storage and Farm Gas should be forwarded to the Management Information Team at ManagementInformation.Energy@gov.ab.ca.

Gas Royalty Accounting

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at GasRoyaltyAccounts.Energy@gov.ab.ca.

Gas Royalty Features

All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forwarded to the Royalty Features team at GasRoyaltyPrograms@gov.ab.ca.

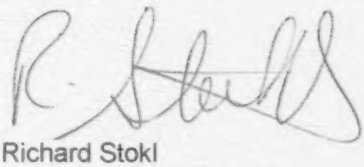
Reference Prices and Valuation Allowances Calculation Information

For information related to reference prices, price valuation, and allowances calculation, contact the Pricing & Analysis Team located at the Alberta Energy office in Calgary:

Pricing & Analysis
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400

Alberta Energy Internet Webpage

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet webpage: www.energy.alberta.ca. From "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", and "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".



Richard Stokl
Director, Gas Royalty Operations
Royalty Operations